

DATE: January 4, 2021  
TO: Newberg Planning Commission and City Council  
CC: Doug Rux, City of Newberg  
FROM: Beth Goodman and Margaret Raimann, ECONorthwest  
SUBJECT: NEWBERG HOUSING STRATEGY – 2020 UPDATE

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The City of Newberg is reviewing land sufficiency within its urban growth boundary (UGB). Part of the boundary review includes developing a housing needs analysis (HNA), which requires conducting an assessment that is consistent with Goal 10. The study is funded, in part, through a grant from the Department of Land Conservation and Development (DLCD).<sup>1</sup> The purpose of this project is to identify measures that increase the supply and affordability of housing within Newberg's UGB.

The HNA uses a planning period of 2021–2041. According to population forecasts developed by the Population Research Center at Portland State University, Newberg's population will exceed 25,000 by 2021. Cities with populations over 25,000 are subject to the provisions of ORS 197.296. The results of the HNA show that Newberg has a deficit of land designated for Medium and High-Density Residential. If cities that are subject to the ORS 197.296 provisions have a deficit of residential land, they must either (1) expand the UGB; (2) adopt measures that increase housing densities; or (3) a combination of the two.

Newberg last adopted a housing strategy in 2009. The actions identified in the 2009 Affordable Housing Action Plan were grouped under the following seven affordable housing strategies:

- Amend goals and policies of the Newberg Comprehensive Plan
- Retain the existing supply of affordable housing
- Insure an adequate land supply for affordable housing
- Change development code standards
- Amend the development fee schedule
- Develop and support public and private programs
- Strengthen economic development efforts

A key objective of the HNA and accompanying 2020 housing strategy is to identify options for changes to the City's comprehensive plan and land-use regulations needed to address housing and residential land needs. This memorandum presents a housing strategy for Newberg, based on the results of the HNA and discussions with the Project Advisory Committee (PAC) as part of the 2019 HNA process. Parts of the strategy are updated to reflect the results of the 2020

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<sup>1</sup> This project is funded by Oregon general fund dollars through the Department of Land Conservation and Development. The contents of this document do not necessarily reflect the views or policies of the State of Oregon.

update process. The housing strategy presents a comprehensive package of interrelated policy changes that the PAC recommends the City address over the next one to four years.

The City staff expects to begin working with the Planning Commission to implement changes to the land-use code based on the final housing strategy, which will incorporate changes from the Planning Commission and City Council. Staff will also work with the City Council to make legislative policy changes described in this strategy, starting on high-priority changes in 2021.

## Strategic Priorities

The HNA provides a thorough analysis of the existing supply and affordability of housing in Newberg. It also concludes that Newberg will need 3,169 new housing units between 2021 and 2041. In reviewing the data and planning for needed housing for the 2021 through 2041 period, the Project Advisory Committee (PAC) endorsed four strategic priorities:

1. **Land Supply and Availability.** Statewide planning Goal 10 (Housing) requires cities to inventory residential lands and provide a 20-year supply of land for residential uses. The HNA concluded that Newberg has a deficit of residential land in the medium and high density plan designation. Not only is providing sufficient residential land a strategic priority, it is also a state requirement.
  - a. Ensure 20-year supply. The HNA concluded that Newberg has a deficit of residential land. The 20-year forecast for the 2021 to 2041 planning period showed that Newberg will need to accommodate 3,169 new dwelling units. The HNA identifies deficits of capacity and land for multifamily housing types and the Medium and High-Density Residential plan designations.

This strategic priority is to ensure a 20-year supply of residential land for multifamily and the High Density plan designations. Given that the City has identified deficits, it has an obligation to address those deficits. Moreover, by 2021, PSU forecasts that Newberg's population will exceed 25,000 persons, making the City subject to the requirements of ORS 197.296. Under the statutory requirements of ORS 197.296(6), Newberg must either:

- (a) Amend its urban growth boundary to include sufficient buildable lands to accommodate housing needs for the next twenty years. As part of this process, the local government shall consider the effects of measures taken pursuant to paragraph (b) of this subsection. The amendment shall include sufficient land reasonably necessary to accommodate the siting of new public school facilities. The need and inclusion of lands for new public school facilities shall be a coordinated process between the affected public school districts and the local government that has the authority to approve the urban growth boundary;
- (b) Amend its comprehensive plan, regional framework plan, functional plan or land-use regulations to include new measures that demonstrably increase

the likelihood that residential development will occur at densities sufficient to accommodate housing needs for the next twenty years without expansion of the urban growth boundary. A local government or metropolitan service district that takes this action shall monitor and record the level of development activity and development density by housing type following the date of the adoption of the new measures; or

c) Adopt a combination of the actions described in paragraphs (a) and (b) of this subsection.

Additional provisions regarding so-called land-use efficiency measures are also found in OAR 600-024. While Newberg has already implemented a number of land-use efficiency measures, this strategic priority includes consideration of additional actions.

The HNA is a first step in an urban growth boundary (UGB) review. While cities can look at residential land exclusive of employment land, it can create some serious problems. As such, the City is in the process of conducting an economic opportunities analysis (EOA) compliant with statewide planning Goal 9 to identify any employment land deficiencies. The City is also in the process of conducting an analysis of lands needed for other public uses (public facilities, parks, etc.). Taken together, these analyses will provide a comprehensive assessment of total land need and form the basis for a UGB review.

b. Ensure short-term supply to support development. Land in the UGB is not necessarily development ready. Land requires the full suite of backbone services (water, wastewater, transportation) before it is development ready. The experience throughout Oregon in recent years is that the cost of services is increasing, and cities are turning to creative ways to finance infrastructure.

2. **Provide opportunity for a wider variety of housing types (supply, affordability, quality).** Goal 10 is about more than land supply and affordability. Goal 10 states, “Plans shall encourage the availability of adequate numbers of needed housing units . . . and allow for flexibility of housing location, type, and density.” Moreover, ORS 197.303 requires the City to plan for needed housing types, including single-family detached, single-family attached, multifamily, government-assisted housing, manufactured dwellings on lots or in parks, and farmworker housing.

Newberg’s development code allows all these housing types. However, the market has focused primarily on single-family detached housing (72% of Newberg’s housing stock is single-family detached). Given the affordability issues identified in the HNA, a broader range of housing types can potentially provide housing that will address some of the community’s affordability issues.

Recently, planners have identified certain types of housing as the “missing middle.”

This concept, coined by Daniel Parolek of Opticos Design in Berkeley, CA, is conceived as a strategy to address the changing demographics of U.S. cities. These “middle” housing types can provide an appropriate housing choice and can be effective in filling the gap between supply and demand. Parolek defines these middle units as “a range of multi-unit or clustered housing types compatible in scale with single-family homes that help meet the growing demand for walkable urban living.”

Design is central to the middle housing concept. The idea is to fit higher-density housing types into the footprint of a typical detached single-family home. The intent is that residential development is higher density than traditional single-family detached but looks and feels like a typical home in the neighborhood. The compatibility of these units with its surrounding uses makes the idea of higher-density housing approachable to people who would otherwise raise issue.

3. **Develop mandates and incentives that support affordable housing.** The HNA clearly identifies a lack of housing that is affordable to households with annual incomes less than \$46,000. It is also clear that the private sector cannot feasibly develop lower-cost housing. Moreover, the amount of government support that is available for lower-cost housing is nowhere enough to meet identified needs.

The Newberg Housing Strategy distinguishes between three types of affordable housing: (1) housing affordable to very low-income and extremely low-income households, (2) housing affordable to low-income households, and (3) housing affordable to middle-income households. The following describes these households based on information from the Newberg Housing Needs Analysis.

- **Very low-income and extremely low-income households** are those who have an income of 50% or less of Yamhill County’s Median Family Income (MFI),<sup>2</sup> which is an annual household income of \$46,050. About 40% of Newberg’s households fit into this category. They can afford a monthly housing cost of \$1,151 or less.<sup>3</sup> Development of housing affordable to households at this income level is generally accomplished through development of government-subsidized income-restricted housing.
- **Low-income households** are those who have incomes between 50% and 80% of Yamhill County’s MFI, or an income between \$46,050 and \$73,680. About 21% of Newberg’s households fit into this category. They can afford a monthly housing cost of \$1,151 to \$1,842. The private housing market may develop housing affordable to households in this group, especially for the higher-income households in the group.

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<sup>2</sup> Median Family Income is determined by the U.S. Department of Housing and Urban Development. In 2020, Yamhill County’s MFI was \$92,100.

<sup>3</sup> This assumes that households pay less than 30% of their gross income on housing costs, including rent or mortgage, utilities, home insurance, and property taxes.

- **Middle-income households** are those who have incomes between 80% and 120% of Yamhill County’s MFI, or an income between \$73,680 to \$110,520. About 22% of Newberg’s households fit into this category. They can afford a monthly housing cost of \$1,842 to \$2,763. The private housing market may develop primarily new housing affordable to households in this group, especially for lower-value, owner- or renter-occupied units across all housing types.

This strategic priority is to evaluate mechanisms (mandates and/or incentives) that will support the development or preservation of affordable housing in Newberg.

4. **Plan for infrastructure development to support residential development.** Newberg already has functional plans for key services, and those plans are updated periodically. The functional plans and their related capital improvement programs, however, do not address new lands that might be brought into the UGB. Moreover, when developers identify land supply as an issue, it is frequently not in the context of long-term land supply but in the context of development ready lots.

Thus, the City should explore creative mechanisms for ensuring that a shorter-term supply of serviced land is available for development. This can take many forms—master planning, developer agreements, creative financing tools, etc.

## Newberg’s Comprehensive Plan Housing Policies

The Newberg Comprehensive Plan includes a set of policies that address housing. The Newberg Comprehensive Plan includes one housing goal:

To provide for diversity in the type, density, and location of housing within the City to ensure there is an adequate supply of affordable housing units to meet the needs of City residents of various income levels.

The plan also outlines three categories of policies intended to comply with Goal 10 and guide housing development in Newberg. These include (1) density policies, (2) location policies, and (3) mix policies.

The housing policies in the Newberg Comprehensive Plan were revised based on recommendations in the 2009 Newberg Affordable Housing Action Plan. A review of the policies by ECONorthwest concludes that the policies are compliant with statewide planning requirements. Moreover, the policies include some innovative approaches to addressing the three policy categories. Following is a brief overview of the policies:

- **Density policies.** This section starts with a statement that density, rather than housing type, is the primary consideration in establishing comprehensive plan designations. The density policies establish density targets, which the HNA shows were exceeded by residential development that occurred between 2000 and 2018 (Newberg achieved an average gross density of 7.4 dwellings per gross acre during this period) in the Low- and High-Density Residential plan designations. Observed densities in the medium-density residential designation were slightly lower than the target (9 dwelling units per

gross acre, compared to the observed density of 7.6).

The density policies also establish pathways for density credits or bonuses to account for land provided to the City for public facilities or “for diversity in the type, density and location of housing within the City to ensure there is an adequate supply of affordable housing units to meet the needs of City residents of various income levels.”

- **Location policies.** The plan includes three location policies. The first addresses the location of higher-density housing and encourages it to be located proximate to services, commercial areas, and public open spaces. The second states that the first policy is not a set of absolute requirements and that dispersal of higher-density housing throughout the community is an important locational objective. The final policy encourages medium-density housing adjacent to the commercial core of the Riverfront District.
- **Mix policies.** The mix policies start with a definition of “affordable housing.” They go on to encourage a range of strategies to address affordability, to encourage dispersal of multifamily housing throughout the community, and to recognize manufactured housing as a source of affordable housing. The policies also require that larger parcels include some land for higher-density housing types.

After reviewing the housing policies in the Newberg Comprehensive Plan, no modifications are recommended.

## Newberg Housing Strategy

The Newberg Housing Strategy is organized around the three broad strategic priorities. The broad goal of the Newberg Housing Strategy is to help the City manage the land within the UGB to meet current and future housing development capacity while maintaining the character and quality of life in Newberg and protecting public interests such as housing affordability, health, safety, and municipal revenues. The strategies and associated actions provide an implementation roadmap for the next one to four years.

The Newberg HNA Project Advisory Committee (PAC) convened five times over the course of the project. Two of the meetings focused on the technical elements of the study (the buildable lands inventory and the housing needs analysis), with the other two meetings focused on the strategy. The PAC reviewed and recommended a general set of strategies at the March 14 meeting. That meeting provided the foundation for the strategies in this section, which are described in detail in this document. The PAC was provided a draft of this strategy and endorsed the contents at the May 15 PAC meeting. In the 2020 update process, the City convened a Citizens Advisory Committee (CAC) to review the updated buildable lands inventory, housing forecast, and land sufficiency. The members of the CAC included five original members of the 2019 PAC and one additional member. ECONorthwest worked with City staff to update the strategy to align with the results of the updated HNA.

The strategies consider key findings from the HNA: the City has a long-term deficit of residential land, the market is not building enough housing that is affordable to households

with annual incomes of less than \$46,000, the composition of Newberg’s population is becoming more older and more diverse, the number of single-person households is increasing, and many others. This document presents a comprehensive strategy that provides a variety of opportunities to meet the housing needs of Newberg’s residents at all income levels.

Many of the actions described in the Newberg Housing Strategy will require legislative amendments to the City’s comprehensive plan and/or development code. These actions will be subject to standard notification and hearing procedures. Newberg Community Development staff will develop analysis and public input steps that are appropriate for each legislative action to ensure compliance with Goal 1 and the procedural elements of the Newberg Comprehensive Plan and Development Code.

## Summary and Schedule of Actions

The matrix below provides a summary of the strategic priorities and associated implementation actions as well as the proposed schedule for the actions. All actions listed to occur during the 2019 to 2021 period are currently in progress with estimated completion in 2020 or 2021.

**April 2022 note:** The items below with a strike through are ones that Newberg implemented since January 2021.

Strategic Priority	2019–21	2021–22	2022–23	2023–24	2024–25	2025–26
<b>Strategy 1: Ensure an adequate supply of land that is available and serviceable</b>						
<del>Action 1.1. Conduct a full analysis of land sufficiency within the Newberg UGB</del>	✓					
Action 1.2. Establish maximum lot size standards		✓				
Action 1.3. Establish minimum density standards		✓				
<del>Action 1.4. Evaluate expanded cluster development standards</del>	✓	✓				
Action 1.5. Evaluate expanding density bonuses				✓		
<b>Strategy 2: Provide opportunity for a wider variety of housing types (supply, affordability, quality)</b>						
<del>Action 2.1. Allow duplexes/triplexes/quadplexes in single family zones</del>	✓	✓	✓			
Action 2.2. Allow small/tiny homes		✓				
<b>Strategy 3: Develop mandates and incentives that support affordable housing</b>						
<del>Action 3.1. Establish vertical housing tax abatement district</del>	✓					

Action 3.2. Establish an affordable multifamily housing property tax abatement program			✓			
Action 3.3. Evaluate potential for urban renewal districts	✓					
Action 3.4. Establish a construction excise tax	✓					
Action 3.5. Reduced/waived building permit fee, planning fees, or SDCs		✓			✓	
Action 3.6. General fund/general obligation bonds			✓			✓

**Strategy 1: Ensure an Adequate Supply of Land that is Available and Serviceable**

This strategy is about ensuring an adequate land supply—not only a twenty-year supply (as Goal 10 requires) but also a pipeline of serviced land that is available for immediate development. The following recommended strategies and actions are intended to ensure an adequate supply of residential land through a combination of land-use efficiency measures and UGB review. Efficient use of Newberg’s residential land is key to ensuring that Newberg has opportunities to grow from 2021 to 2041, and beyond.

**Issue Statement**

Newberg has a limited supply of residential land within its UGB. The results of the HNA show that the City does not have enough land in Medium and High-Density Residential plan designations to accommodate expected growth over the 2021 to 2041 period. Newberg has a deficit of 37 gross acres in the Medium-Density Residential plan designation and a deficit of 44 gross acres in High-Density Residential designation. The HNA assumes that Newberg will accommodate some units in commercial plan designations, including units planned in the Downtown Improvement Plan.

Oregon’s Statewide Planning System requires cities that do not have enough land within their UGB to evaluate and implement policies to increase land use efficiency, expand the UGB, or both. Newberg has previously adopted, or is in the process of evaluating, policies aimed at increasing land use efficiency, and will need to evaluate options for expansion of the UGB to accommodate the residential land need, as identified in the HNA.

**Goal**

Maintain a twenty-year supply of land that is suitable and available for residential density. Ensure that land is designated so that the supply is adequate for all needed housing types at needed densities. Consider short-term residential land supply as part of ongoing functional planning efforts.

## Recommended Actions

### Action 1.1. Conduct a full analysis of land sufficiency within the Newberg UGB

Newberg will be required to amend its UGB as a result of the HNA and lands needed for other public uses (public facilities, parks, etc.). The City has already adopted many land-use efficiency measures; it will adopt additional measures as the result of this strategy. Those measures will focus on achieving the needed housing density and mix and will not result in additional land efficiency beyond what is documented in the HNA.

A UGB amendment is a complex process that is governed by a complex set of statutes and administrative rules. This process will be somewhat less complex, since the City has 550 acres of land in urban reserve areas (URAs)—these areas are first priority lands for inclusion in the UGB based on the ORS 197.320A priority scheme. The deficit of land identified in the HNA is considerably less than the amount of land in URAs.

The City should also review employment and other land needs as part of the boundary review. The HNA does not document lands needed for parks, schools, and other public and semipublic uses. Moreover, it does not identify employment land needs. Work done exploring the uses of the OAR 660-038 Simplified Boundary Review process identified a deficit of industrial land for a fourteen-year period. While it did not identify a deficit of commercial land, it is possible that a deficit exists. The City will need to complete an economic opportunities analysis (EOA) that complies with Goal 9 and OAR 660-009 to make this determination.

#### Timing for implementing the action: 2019–2021 (in process)

### Action 1.2. Establish maximum lot size standards

This approach ensures minimum densities in residential zones by limiting lot size. It places bounds on building at less than maximum allowable density. Maximum lot sizes can promote appropriate urban densities, efficiently use limited land resources, and reduce sprawl development.

This action would place an upper bound on lot size and a lower bound on density in single-family zones. For example, a residential zone with a 5,000 sq. ft. minimum lot size might have an 8,000 sq. ft. maximum lot size yielding an effective net density range between 5.4 and 8.7 dwelling units per net acre.

The City has already partially implemented this strategy—for lots in subdivisions, the R-1 zone has a lot size upper limit of 10,000 sq. ft. and the R-2 zone has an average lot size upper limit of 5,000 sq. ft.

This action would look at further reducing these maximum lot size limits—particularly for the R-1 zone.

#### Timing for implementing the action: 2022-2023

### Action 1.3. Establish minimum density standards

This policy is typically applied in single-family residential zones and places a lower bound on density. Minimum residential densities in single-family zones are typically implemented through maximum lot sizes. In multifamily zones, they are usually expressed as a minimum number of dwelling units per net acre. Such standards are typically implemented through zoning code provisions in applicable residential zones.

This policy increases land-holding capacity. Minimum densities promote developments consistent with local comprehensive plans and growth assumptions. They reduce sprawl development, eliminate underbuilding in residential areas, and make provision of services more cost effective.

The city has partially implemented this action—Newberg established density targets for residential plan designations, but not minimum densities. Comprehensive Plan Housing Policy 1.b establishes the following density targets:

- b. Target densities shall be as follows:

Units Per Classification	Gross Acre*
Urban Low Density	4.4
Urban Medium Density	9
Urban High Density	16.5

*\*Includes a 25 percent allowance for streets, walkways and other right-of-ways, utilities, small open spaces, preservation of resources, and similar features.*

Analysis conducted for the 2019 HNA showed that Newberg exceeded density targets in two of the three residential plan designations between 2000 and 2018. During this period, Newberg observed an average density of 7.4 dwelling units per gross acre—4.8 du/gra in the Low-Density Residential designation, 7.6 du/gra in the Medium-Density Residential, and 18.7 du/gra in the High-Density Residential designations.

This action would go one step further and would establish minimum density standards for residential zoning districts. The policy would need to acknowledge that meeting minimum density standards may not be possible in all instances and may preclude a right of development (for example, a proposal to place a single-family home on a legacy lot of 12,000 sq. ft. when the minimum density in the zone is 5 dwelling units per net acre or 8,712 sq. ft.). One way around this problem would be to only apply the standard to land divisions that create four or more lots).

**Timing for implementing the action: 2022-2023**

### Action 1.4. Evaluate expanded cluster development standards

Clustering allows developers to increase density on portions of a site while preserving other areas of the site. Clustering is a tool most commonly used to preserve natural areas or avoid

natural hazards during development. It uses characteristics of the site as a primary consideration in determining building footprints, access, etc. Clustering is typically processed during the site review phase of development review.

The City has already partially implemented this strategy—clustering can occur through the planned unit development (PUD) process.

Many Oregon cities have adopted cottage housing codes. A cottage housing development is generally composed of one or one-and-a-half story single-family detached housing units, with second stories often built into the pitch of the roof. A cottage housing development often has 800 to 1,300 square feet of built space, but cottages could be smaller or larger, depending on market demand and community design standards. Cottage housing is generally developed in clusters with very small lots, around common open space. Parking requirements for cottage housing are generally lower than for conventional housing, especially for smaller cottages, which are more likely to have a single occupant with one car.

Developing a cottage housing ordinance for Newberg will require addressing issues such as requirements for lot size or dimension, open space requirements, design standards, parking standards, and other development standards.

#### **Timing for implementing the action: 2019–2021 & 2021–2022**

##### **Action 1.5. Evaluate expanding density bonuses**

The local government allows developers to build housing at densities higher than are usually allowed by the underlying zoning. Density bonuses are commonly used as a tool to encourage greater housing density in desired areas, provided certain requirements are met. This strategy is generally implemented through provisions of the local zoning code and is allowed in appropriate residential zones.

Bonus densities can also be used to encourage development of low-income or workforce affordable housing. An affordable housing bonus would allow for more housing units to be built than allowed by zoning, if the proposed project provides a certain number of affordable units. Newberg does not currently have any policies related to density bonuses.

To be effective, this policy should create market incentives for desired housing types or densities. While the HNA did not include a housing market analysis, the research in the report suggests that density bonuses may not be enough of an incentive alone. This action should include a deeper evaluation of the Newberg housing market and analysis of how density bonuses might interact with other incentives.

#### **Timing for implementing the action: 2023-2024**

## Strategy 2: Provide Opportunity for a Wider Variety of Housing Types (Supply, Affordability, Quality)

### Issue Statement

Continued increases in housing costs may increase demand for denser housing (e.g., multifamily housing or smaller single-family housing). To the extent that denser housing types are more affordable than larger housing types, continued increases in housing costs will increase demand for denser housing.

Newberg's housing mix in the 2013–2017 period<sup>4</sup> was 71% single-family detached, 6% single-family attached, and 23% multifamily. The HNA assumes that the housing mix of new dwelling units in Newberg will be about 60% single-family detached, 8% single-family attached, and 32% multifamily. To achieve this mix, Newberg will need to implement policies that allow for a wider variety of housing types in residential plan designations, specifically single-family zones.

While Newberg has implemented policies that allow for duplexes in single-family zones, the City will also need to allow for higher-density housing types (e.g., triplexes and quadplexes) in these zones to achieve the new housing mix. Newberg has also implemented a policy that allows accessory dwelling units on single-family lots. This strategy suggests that the City also create policies that allow for tiny-home subdivisions and tiny homes in RV parks.

### Goal

The goal of Strategy 2 is to evaluate mechanisms that allow or encourage a broader variety of housing types in Newberg. The HNA does not recommend setting development targets for housing types beyond the needed housing types identified in ORS 197.303. The City, however, acknowledges that each of the statutorily defined needed housing types can include a range of subtypes.

### Recommended Actions

#### Action 2.1. Allow duplexes/triplexes/quadplexes in single-family zones

Allowing these housing types can increase overall density of residential development and may encourage a higher percentage of multifamily housing types. This approach would be implemented through the local zoning or development code and would list these housing types as outright allowable uses in appropriate residential zones. These housing types provide additional affordable housing options and allow more residential units than would be achieved by detached homes alone.

The City has already partially implemented this strategy. Newberg allows duplexes in the R-1 zone as a conditional use and R-2 zone as a permitted use, as well as triplexes and quadplexes in the R-2 zone. This strategy potentially move Newberg toward compliance with the requirements of HB 2001. House Bill 2001 requires cities over 25,000 to allow middle housing

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<sup>4</sup> Based on 2013-2017 ACS 5-year estimates for Newberg.

types in residential zones where single-family detached housing is allowed. The bill defines middle housing types as:

- (A) Duplexes
- (B) Triplexes
- (C) Quadplexes
- (D) Cottage clusters
- (E) Townhouses

**Timing for implementing the action: 2019-2021; 2021-2022; 2022-2023 (In process)**

### Action 2.2. Allow small/tiny homes

Tiny homes are typically dwellings that are 500 square feet or smaller. They include stand-alone units or very small multifamily units. Tiny houses, sometimes referred to as microhomes, are small stand-alone dwellings that are typically between 80 and 200 square feet.<sup>5</sup> They often have a kitchen and a bathroom, and they can be on wheels (temporary or transitional) or foundation (permanent). While there is no standardized definition for how small or large a tiny home can be, we use a threshold of 500 square feet or less. The following further characterizes the distinction between tiny homes and other similar, compact (or smaller) housing types.

### Exhibit 1. Overview of Compact (Smaller) Housing Types

Source: Note: Image sources are located in the endnotes.



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<sup>5</sup> Brown, Emily (2016). "Overcoming the Barriers to Micro-Housing: Tiny Houses, Big Potential." University of Oregon Department of Planning, Public Policy, and Management.

<sup>6</sup> Place and Native Voice. (2017). "Small Homes on Wheels." Image. <http://www.placeandnativevoice.org/small-homes-on-wheels/small-homes-on-wheels-small-homes-on-wheels-for-sale-small-wheels-home-depot/>

<sup>7</sup> Reimer, K. "My Favorite Small House Ideas." Image, Pinterest. <https://www.pinterest.com/klreimer0064/my-favorite-small-house-ideas/>

<sup>8</sup> Slate Ltd. (2017). "New Law Nets Homeowners Enormous Benefits." Image. <http://www.slateltd.com/remodeling-tips/new-law-nets-homeowners-enormous-benefits>

<sup>9</sup> Bertolet, Dan. (2008). "Scary Scary Cottages." Image. <http://hugeasscity.com/2008/11/29/scary-scary-cottages/>

<sup>10</sup> All Star Steamer. Image. <http://www.allstarsteamer.com/small-house/>

Tiny houses on wheels are nonpermanent, single-family dwelling units. They are typically less than 500 sq. ft. and no more than 500 sq. ft.

Tiny houses are permanent, single-family dwelling units. They are typically less than 500 sq. ft.

ADUs are secondary to a primary unit on a single lot. Zoning codes typically require that ADUs be smaller than the primary unit.

Cottage developments are groupings of single-family dwelling units clustered around a common area. They are typically under 1,000 to 1,200 sq. ft.<sup>11</sup>

A single-family dwelling is a stand-alone, residential building. They are typically more than 500 sq. ft. The U.S. average for a single-family dwelling is 2,677 sq. ft.<sup>12</sup>

Tiny homes can be sited in a variety of ways: locating them in RV parks (they are similar in many respects to Park Model RVs) and tiny-home subdivisions, or allowing them as accessory dwelling units. Smaller homes allow for smaller lots, increasing land-use efficiency. They provide opportunities for affordable housing, especially for homeowners.

This discussion focuses on permanent tiny houses, and while tiny homes do not have a single, standard definition, we define them here as “permanent, stand-alone, single-family residential dwellings of less than 500 sq. ft.”<sup>13</sup> Tiny homes may be sited on a lot or in a planned unit development (PUD). As a rule of thumb, tiny houses should not be used synonymously for other housing types, such as accessory dwelling units, and communities should also make the distinction between tiny homes on foundations (permanent) versus tiny homes on wheels (transitional or temporary).<sup>14</sup> That said, identifying tiny homes as small single-family dwellings is likely acceptable, although it is an evolving topic. State statute refers to tiny homes as “small homes.”

Newberg has not adopted any tiny home standards.

The experience of other cities suggests that developing appropriate tiny-home regulations is complex. We suggest that Newberg start by engaging in a community dialog about tiny homes. The dialog should be inclusive of residents, stakeholders, local elected officials, and the development community. We also recommend that the City evaluate what locations are appropriate for tiny home, since tiny house developments will not be suitable for every neighborhood or every area within a community.

### **Timing for implementing the action: 2021-2022**

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<sup>11</sup> State of Oregon, Department of Environmental Quality. (2016). *Character-Compatible, Space-Efficient Housing Options for Single-Dwelling Neighborhoods*. Report developed in partnership with Oregon Department of Transportation and Oregon Department of Land Conservation and Development.

<sup>12</sup> Statista. “The Statistical Portal: Average Size of Floor Area in New Single-Family Houses Built for Sale in the United States from 1975 to 2016 (in Square Feet).” <https://www.statista.com/statistics/529371/floor-area-size-new-single-family-homes-usa/>

<sup>13</sup> In Oregon, House Bill 2737 defines a “small home” as being no more than 600 sq. ft. in size. This has been made a part of ORS chapter 455.

<sup>14</sup> Buhl, Laura. (August 2018). “Tiny Homes in Oregon.” Department of Land Conservation and Development. Interview, conducted by Sadie DiNatale, ECONorthwest.

## Strategy 3: Develop Mandates and Incentives that Support Affordable Housing

### Issue Statement

Availability of housing that is affordable to households at all income levels is a key issue in Newberg. For the purposes of this strategy, affordable housing is defined as (1) housing for very low-income and extremely low-income households with an income of less than 50% of Median Family Income<sup>15</sup> (\$46,050 in 2020), (2) housing for low-income households with an income between 50% and 80% of MFI (\$46,050 to \$73,680 in 2020), and (3) housing for middle-income households with an income between 80% and 120% MFI (\$73,680 to \$110,520 in 2020).

Newberg's housing costs have increased faster than incomes since 2000. For example, the household reported median value of a house in Newberg was three times the median household income (MHI) in 2000, and 4.3 times MHI in the 2012–2016 period. More than a third of Newberg households are unable to afford the fair market rent as defined by HUD (\$1,495) on a two-bedroom rental in Newberg. In addition, 77% of the workers at businesses in Newberg live outside of the City or in nearby communities.

The City's policy options for providing opportunities to build housing, especially affordable housing (both market-rate and government-subsidized affordable housing) are limited. The most substantial ways the City can encourage development of housing is through ensuring that enough land is zoned for residential development, eliminating barriers to residential development where possible and providing infrastructure in a cost-effective way.

### Goal

The goal of this strategy is to promote more lower-cost housing, with a focus on low- and middle-income housing. This focus is to ensure housing that is affordable to service sector workers in Newberg.

### Recommended Actions

#### Action 3.1. Establish vertical housing tax abatement district

The 2017 Legislature passed legislation moving the administration of the Vertical Housing Program from Oregon Housing and Community Services (OHCS) to the local City and County beginning October 6, 2017. OHCS no longer administers this program.

The legislation subsidizes "mixed-use" projects to encourage dense development or redevelopment by providing a partial property tax exemption on increased property value for qualified developments. The exemption varies in accordance with the number of residential floors on a mixed-use project, with a maximum property tax exemption of 80 percent over ten

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<sup>15</sup> Based on U.S. Department of Housing and Urban Development Median Family Income of \$92,100 for Yamhill County in 2020.

years. An additional property tax exemption on the land may be given if some or all of the residential housing is for low-income persons (80 percent of area median income or below).

The City will need to review issues such as geographic applicability, eligibility, and other standards associated with the program to ensure that the program provides incentives to desired development types.

#### **Timing for implementing the action: 2019–2021 (In process)**

##### **Action 3.2. Establish an affordable multifamily housing property tax abatement program**

This action incentivizes construction of affordable housing by offering property tax abatements. Since 1985, the State of Oregon has allowed for affordable housing property tax abatements when they are sought separately by nonprofits that develop and operate affordable rental housing. Only the residential portion of a property located within a city that houses very low-income people, or space that is used directly in providing housing for its low-income residents, is eligible for a property tax exemption.

The Multiple-Unit Limited Tax Exemption Program is a program that is enabled by the state and managed by the local jurisdiction. Through the multifamily tax exemption, a jurisdiction can incentivize diverse housing options in urban centers that lack housing choices or workforce housing units. Through a competitive process, multi-unit projects can receive a property tax exemption for up to ten years on structural improvements to the property.

Though the state enables the program, each city has an opportunity to shape the program to achieve its goals by controlling the application process and fees, program requirements, criteria (return on investment, sustainability, inclusion of community space, percentage of affordable or workforce housing, etc.), program caps, and locations where the exemption is available. Moreover, the City can select projects on a case-by-case basis through a competitive process.

The purpose of this action is to provide an incentive for the development of government-subsidized and/or market-rate multifamily housing. In implementing the program, the City would need to develop the criteria for offering the exemption as well as its logistical details (as described above).

#### **Timing for implementing the action: 2022-2023**

##### **Action 3.3. Evaluate potential for urban renewal districts**

Tax increment finance revenues (TIFs) are generated by the increase in total assessed value in an urban renewal district from the time the district is first established. As property values increase in the district, the increase in total property taxes (i.e., City, County, school portions) is used to pay off the bonds. When the bonds are paid off, the entire valuation is returned to the general property tax rolls. TIFs defer property tax accumulation by the City and County until the urban renewal district expires or pays off bonds. Over the long term (most districts are established for a period of twenty or more years), the district could produce significant revenues for capital

projects. Urban renewal funds can be invested in the form of low-interest loans and/or grants for a variety of capital investments:

- Redevelopment projects, such as mixed-use or infill housing developments
- Economic development strategies, such as capital improvement loans for small or startup businesses that can be linked to family-wage jobs
- Streetscape improvements, including new lighting, trees, and sidewalks
- Land assembly for public as well as private reuse
- Transportation enhancements, including intersection improvements
- Historic preservation projects
- Parks and open spaces

As the City develops new or amends existing urban renewal plans, the City should consider including urban renewal projects that support development of government-subsidized and market-rate multifamily housing. Other cities primarily use urban renewal funds to support the development of affordable housing by purchasing land and accepting development proposals on that land. Cities typically require some percentage of housing to be affordable, or they make the inclusion of affordable housing a criterion for the evaluation of development proposals.

In addition, cities use urban renewal funds to directly invest in infrastructure projects that benefit housing development. The Newberg Urban Renewal Agency could offer grants or other incentives to help pay for affordable housing development or to help finance systems development costs.

#### **Timing for implementing the action: 2019–2021 (In process)**

#### **Action 3.4. Establish a construction excise tax**

The construction excise tax (CET) is a tax assessed on construction permits issued by local cities and counties. The tax is assessed as a percent of the value of the improvements for which a permit is sought, unless the project is exempted from the tax. In 2016, the Oregon Legislature passed Senate Bill 1533, which permits cities to adopt a construction excise tax (CET) on the value of new construction projects to raise funds for affordable housing projects. CETs may be residential only, commercial only, or residential and commercial. If the City were to adopt a CET, the tax would be up to 1% of the permit value on residential construction and an uncapped rate on commercial and industrial construction. The allowed uses for CET funding are defined by the state statute. The City may retain 4% of funds to cover administrative costs. The funds remaining must be allocated as follows, if the City uses a residential CET:

- 50% must be used for developer incentives (e.g., fee and SDC waivers, tax abatements, etc.).
- 35% may be used flexibly for affordable housing programs, as defined by the jurisdiction.
- 15% flows to Oregon Housing and Community Services for homeowner programs.

If the City implements a CET on commercial or industrial uses, 50% of the funds must be used for allowed developer incentives, while the remaining 50% is unrestricted. The rate may exceed 1% if levied on commercial or industrial uses.

This action should start with the analysis of the financial capacity of a CET based on historical construction rates and the amount of the CET. The fiscal potential will provide a foundation that (1) helps determine whether a CET would generate enough revenue to make an impact, and (2) helps focus discussion on how the city could generate the best return on investment of CET funds.

**Timing for implementing the action: 2019–2021 (In process)**

**Action 3.5. Reduced/waived building permit fee, planning fees, or SDCs**

Programs that reduce various development fees as an incentive to induce qualifying types of development or building features. There are a number of avenues to seek reduced or waived fees. For example, stormwater improvements can be made through the Commercial Stormwater Fee Reduction. There are commonly used tools, often implemented in conjunction with development agreements or other development negotiation processes.

Newberg has partially implemented this strategy: the City has a program to waive some SDCs for two low-income units a year. This action would expand the current program.

**Timing for implementing the action: 2024-2025**

**Action 3.6. General fund/general obligation bonds**

The City can use general fund monies on hand or can issue bonds backed by the full faith and credit of the City to pay for desired public improvements. This strategy allows funding for projects that is not dependent on revenue from the project to back the bond. Bonds can be used to develop essential infrastructure or provide funding for programs that lower the costs of housing development (such as SDC reductions or low-interest loan programs).

Property taxes are increased to pay back the GO bonds.

**Timing for implementing the action: 2025-2026**